

Schedule NR must be completed and attached

1A. Federal adjusted gross income from line 27, Column A, Schedule NR (H)			1A	
1B. North Dakota adjusted gross income from line 27, Column B, Schedule NR (I)			1B	
2. Interest income from sale of land to a qualifying beginning farmer (3H)			2	
3. Rental income from leasing of land to a qualifying beginning farmer (3I)			3	
4. Gain from sale of land to a qualifying beginning farmer (3J)			4	
5. Interest income from sale of a business to a qualifying beginning businessman (3N)			5	
6. Rental income from leasing a business to a qualifying beginning businessman (3L)			6	
7. Gain from sale of a business to a qualifying beginning businessman (3M)			7	
8. Other (See instructions) (Attach supporting statement) (3T)			8	
9. Total North Dakota subtractions (Add lines 2 through 8) (3U)			9	
10. Balance (Line 1B less line 9)			10	
11. Federal income tax—See instructions for proper amount to enter on this line (N)			11	
12. North Dakota income ratio (Divide line 10 by line 1A. Round to two decimal places. If line 1A is negative and line 1B is positive, enter 1.00) — • — —			12	
13. Federal income tax deduction (Multiply line 11 by line 12) (3Y)			13	
14. Balance (Line 10 less line 13)			14	
15. North Dakota additions (See instructions) (Attach supporting statement) (3E)			15	
16. Balance (Line 14 plus line 15)			16	
<ul style="list-style-type: none"> • If you itemized deductions on your federal income tax return, or if you are required to itemize deductions for federal income tax purposes (whether or not you have any qualifying deductions), complete lines 17 through 21, skip line 22, and enter the amount from line 21 on line 23. • If you took the standard deduction on your federal income tax return, skip lines 17 through 21 and see the instructions for line 22. 				
17. Federal itemized deductions from line 28, Schedule A, Form 1040 (J)			17	
18. Medical expenses not allowed due to 7.5% of adjusted gross income limitation (Enter smaller of line 1 or line 3, Schedule A, Form 1040) (K)			18	
19. Balance (Line 17 plus line 18)			19	
20. State and local income taxes from line 5, Schedule A, Form 1040 [However, see instructions if line 1A above exceeds \$124,500 (\$62,250, if married filing separate)] (L)			20	
21. Net itemized deductions (Line 19 less line 20)			21	
22. Federal standard deduction (See instructions) (3D)	22			
23. If you were required to complete lines 17 through 21, enter the amount from line 21. Or, if you were required to complete line 22, enter the amount from line 22 (M)			23	
24. Federal exemption amount (See instructions) (3C)			24	
25. Additional exemption amount: If your Filing status (at top of Form 37) is Married filing joint or Head of household or Qualifying widow(er) , enter \$300			25	
26. Total (Add lines 23, 24, and 25) (O)			26	
27. North Dakota income ratio (Divide line 1B by line 1A. Round to two decimal places. If line 1A is negative and line 1B is positive, enter 1.00) — • — —			27	
28. Multiply line 26 by line 27 (3B)			28	
29. North Dakota taxable income (Line 16 less line 28) Enter here and on line 1, Tax Computation Schedule, Form 37) (P)			29	

1998 **Schedule 3** instructions

Important

This schedule is to be used only by a nonresident filer who chooses to use Form 37 (Long Form). See “Which form to use” on page 4 of the individual income tax return instruction booklet for information on choosing a form.

If you choose to use Form 37, see “Instructions for Form 37 (Long Form)” on page 6 of the instruction booklet for the steps on completing Form 37.

Specific line instructions

Lines 1A and 1B

You must complete Schedule NR to determine the proper amounts to enter on these lines. Schedule NR is included in the individual income tax return instruction booklet.

Lines 2 through 4

If you sold or leased land located in North Dakota to a North Dakota resident individual who uses the land for agricultural purposes, you may qualify for one or more of the beginning farmer income tax deductions. To determine if you qualify, obtain the income tax guideline, *Beginning Farmer Income Tax Deductions*, from the Office of State Tax Commissioner. **Attach a copy of the Beginning Farmer Statement to your return.**

Lines 5 through 7

If you sold or leased a business located in North Dakota to a North Dakota resident individual who operates the business, you may qualify for one or more of the beginning businessman income tax deductions. To determine if you qualify, obtain the income tax guideline, *Beginning Businessman Income Tax Deductions*, from the Office of State Tax Commissioner. **Attach a copy of the Beginning Businessman Statement to your return.**

Line 8

You may be eligible for certain deductions and exclusions with respect to the types of income you reported to North Dakota on line 1B of Schedule 3. See the instructions for lines 7 through 11, 15, 19, 20 and 23 of Schedule 2 (Form 37) for a description of the deductions and exclusions that may apply. For the adoption deductions listed in the instructions to line 23 of Schedule 2 (Form 37), you must multiply the amount of the deduction by a ratio to determine the allowable deduction. The ratio is determined by dividing line 1B by line 1A. (If line 1B is positive and line 1A is negative, the ratio is 1.00) **Attach a statement identifying the deduction or exclusion claimed and showing its computation.**

If you qualify for the deduction for income from a pass-through entity subject to the North Dakota financial institution tax listed in the instructions to line 23 of Schedule 2 (Form 37), you must attach a copy of the statement you received from the pass-through entity to substantiate the adjustment.

Line 11

Enter your federal income tax from your federal income tax return as follows:

- If you used **Form 1040EZ**, enter amount from line 10 less line 8a; or
- If you used **Form 1040A**, enter amount from line 32 less lines 37a and 38 ; or
- If you used **Form 1040**, enter amount from line 49 plus line 53 plus any Section 72(m)(5) excess benefits tax and recapture taxes included on line 56 less lines 59a and 60; or
- If you used the **Telefile Worksheet**, enter amount from line J (the “Tax” box) less line K.

Line 15

If you changed your residence to or from North Dakota in 1998, the following income items must be entered on this line if you received them during the part of the year you were a resident of North Dakota:

- Interest income from state and local government obligations (other than North Dakota) that is exempt from federal income tax; and,
- Lump-sum distribution from a qualified retirement plan that you elected to report on Federal Form 4972.

If your North Dakota adjusted gross income on line 1B includes a loss from a pass-through entity subject to the North Dakota financial institution tax, you must enter the loss on this line because it is not deductible for North Dakota income tax purposes. For more information, see the instructions to line 4, Schedule 2 (Form 37). **Attach a copy of the statement you received from the pass-through entity informing you about this adjustment.**

Line 20

If a portion of your federal itemized deductions was disallowed because your federal adjusted gross income exceeded \$124,500 (\$62,250, if married filing separate), complete the following worksheet to determine the amount to enter on this line:

1. Amount of state and local taxes from line 5, Schedule A (Form 1040)	_____
2. Amount from line 3 of Federal Itemized Deductions Worksheet in Form 1040 instructions	_____
3. Divide line 1 by line 2 (round to two decimal places)	____ . ____
4. Amount from line 9 of Federal Itemized Deductions Worksheet in Form 1040 instructions	_____
5. Multiply line 4 by line 3	_____
6. Line 1 less line 5. Enter this amount on line 20, Schedule 3	=====

Line 22

Enter your federal standard deduction from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 21; or
- If you used **Form 1040**, enter amount from line 36; or

- If you used the **Telefile Worksheet**, enter amount from line I (the “Standard Deduction” box); or
- If you used **Form 1040EZ**, the amount to enter depends on how you answered the question on line 5 of Form 1040EZ—
 - **No.** If you answered “No,” enter \$4,250, if single; or \$7,100, if married.
 - **Yes.** If you answered “Yes,” complete the following worksheet:

1. Amount from line 1, Form 1040EZ	_____
2. Earned income add-on	_____ 250
3. Add lines 1 and 2	_____
4. Minimum amount	_____ 700
5. Enter LARGER of line 3 or line 4	_____
6. Maximum amount. Enter \$4,250, if single; or \$7,100, if married	_____
7. Enter SMALLER of line 5 or line 6. Enter this amount on line 22, Schedule 3	_____

Line 24

Enter your federal exemption amount from your federal income tax return as follows:

- If you used **Form 1040A**, enter amount from line 23; or
- If you used **Form 1040**, enter amount from line 38; or
- If you used the **Telefile Worksheet**, enter amount from line I (the “Exemption Amount” box); or
- If you used **Form 1040EZ**, the amount to enter depends on how you answered the question on line 5 of Form 1040EZ—
 - **No.** If you answered “No,” enter \$2,700, if single; or \$5,400, if married.
 - **Yes.** If you answered “Yes,” enter:
\$-0-, if you are single, or you are married and both you and your spouse can be claimed as dependents by other taxpayers; or
\$2,700, if you are married and only you or your spouse can be claimed as a dependent by another taxpayer.

After completing Schedule 3, complete the Tax Computation Schedule on page 1 of Form 37.

The instructions to the Tax Computation Schedule on page 1 of Form 37 are on page 8 of the individual income tax return instruction booklet.

Schedule 3 and Schedule NR must be attached to Form 37.